

Mammoth Enquiry Loses Its Way

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"ECONOMIC INEQUALITY is typically the outcome of social inequality, and the reverse is also true."

This statement is made by Professor Gunnar Myrdal, the Swedish economist, in his massive triple-volume discourse entitled *Asian Drama: An Inquiry into the Poverty of Nations*. Sponsored by the Twentieth Century Fund, a New York philanthropic foundation, it took ten years to complete, cost 250,000 dollars, and was carried out in conjunction with the Institute for International Economic Studies at Stockholm University. Here, until recently, the 69-year-old professor was a Director.

In an earlier century, Adam Smith's searching work, *An Inquiry into the Nature and Causes of the Wealth of Nations*, also went in hot pursuit of this theme, and unravelled it with some success, preparing the way for much deep reflection on the fundamental incentives of self-interest and natural liberty. Except in length and strength, the two enquiries can hardly be compared. Smith advocated the natural order and was a devout free trader. Myrdal favours self-help for the Asians rather than aid from the West, advocates campaigns for birth control, and proposes agricultural improvements to provide incentives for the landless, the sharecroppers and tenants. He also suggests that more men like Gandhi would help move things along. Unless drastic changes are made soon, he says, the explosive potential bound up in starving Asia will increase along with the misery.

Obviously, the more light that can be shed on the enigma of so much poverty in the midst of staggering wealth, the sooner may we come to understand fully the true principles of government. And it is through such books as *Asian Drama* that the modern economists of the world may be obliged to wade.

Probably few reviewers will claim to have plodded through this long gloomy work, but like this writer, will have settled for broad assessments based on extensive "dippings in." The three books are shaped in seven sections, with ponderous appendices to deal with all the items that cannot be fitted in elsewhere. They are interspersed with graphs, lists of technical data, logarithmic scales, equations, tables, and countless footnotes. It must all be there—or nearly all. There are, however, no pictures, not even of the author, although a photograph is sent with the review copies which shows the author looking extremely happy about his book.

Dipping into this study one is immersed in long discursive tracts on all the political and economic problems of India, Pakistan, Ceylon, Burma, Thailand, Malaysia,

Indonesia and the Philippines. And if this is not enough, there are additional sections dealing with troubles in Vietnam, Laos, and Cambodia. A lot of space is devoted to the Vietnam war and its background, which makes it plain that Myrdal deplors the United States policies in Vietnam and favours an American withdrawal.

While this is interesting enough, it adds little to the basic enquiry regarding poverty. It is obvious that while any nation is at war the poverty of its peoples is intensified.

One frequently-used word throughout *Asian Drama* is the eight-letter word "planning," and the reader senses that Gunnar Myrdal is the sort of man who would dearly love to sit at the top of the economic pyramid and re-plan it to his satisfaction down to the bottom-most strata. Indeed, as executive secretary of the United Nations Economic Commission for Europe from 1947-1957, it is reported that he planned the Commission so thoroughly that he turned it into a valuable economic research institution, and no doubt he has gone on planning and collecting data ever since.

In Sweden Myrdal is a controversial figure, a tilter at Sweden's establishment, and one of the few Left wing intellectuals of the Social Democratic Party. He possesses that monumental self-confidence that goes with a compulsion to tell the world what is wrong with it. His wife, Alva, is a Minister Without Portfolio in charge of disarmament affairs for the Swedish Government. In 1957, when her husband arrived in India to study the many problems there, she was already on hand as Ambassador. She herself is an expert on population and other social matters, and no doubt they were able to tackle India together.

Perhaps the author's most frequently expressed anxiety is with regard to the growth of population and the hazards of under-employment. Mankind is said to be multiplying by geometrical progression. For the year AD 2000 a world population of 4.5 billion is estimated. For the year 2160, the figure may have exploded to 18.5 billion. The next flood may not be a deluge of water but a flood of human beings—the population bomb—and this seems likely to detonate within the next generation or so.

Pushing through this fear is the urgent message that poverty is self generating. Myrdal directs our attention to what seems to him to be a vicious circle keeping down productivity; low incomes, low standards of life, poor nutrition, miserable housing, inadequate schools and training, too few health facilities. All these, Myrdal says, are

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the other side of the coin of low productivity. He does not mention that in conditions where labour is readily available, and land is enclosed, the labourer's share remains the same even if production rises. Although he is



careful to point out that behind this causal mechanism there lies a social system of institutions and power relations, particularly in regard to the ownership and utilisation of land resources, he never really comes to grips with the problem. He scarcely mentions the scourge of monopoly and does not look upon it as a stranglehold upon development and individual liberty.

Nor does the author carry his observations much further—into the realm of systems of land tenure in Asia, for example—but slides off to blame poverty onto population growth or the primitive techniques employed in agriculture, or to negative controls of this or that—even in some cases to climatic conditions or geographical features.

Myrdal's fascination with population growth has shown him that where land is not freely available, increase of population tends to fragment holdings and to strengthen the class structure by increasing the numbers of landless and poor. But he ignores totally the economic importance of rising land values when land is enclosed, and the effect of this on the economy. Any references he makes to land taxes are brief, often submerged in other matters, and left largely unexplained. For example, we learn that land taxes often made up a large part of the tax revenue during the Colonial era. Nowadays in all the South Asian countries, they are very low indeed, if they exist at all. We are not told how or why they were reduced, or what the direct results have been, or who was responsible for the reduction. No doubt the pattern in Asia is much the same as it has been in Europe.

Hidden away in a section called Positive Operational Controls is a brief quote by Nicholas Kaldor, from *Will Underdeveloped Countries Learn to Tax?* In this sophisticated discussion it is pointed out that the distribution of income is very unequal, and a large part of the national income—in the poorest countries probably a fifth or more—accrues in the form of rent on land and property. "Under these conditions," states Kaldor, "a progressive land tax would produce additional revenue with a minimum of sacrifice. It would also make land reforms more feasible by lowering land values, and if properly constructed would raise productivity. But a tax of this nature," he adds, "would be resisted by the landholding classes, which are all-powerful everywhere..."

With this, the discussion is closed, presumably because Myrdal feels that if the powerful landholding classes are going to block its path, there is really no

purpose in pushing the matter, however right and proper such a policy might be.

That certain classes have enormous wealth and political influence should not hold back the economist who is intellectually honest enough to follow through a line of thought with statements he believes to be right. Disappointingly, neither Myrdal nor any one of the six assistants who helped him prepare his material have felt it necessary to pursue the suggestion put forward by Kaldor to what must be the logical and equitable solution to poverty.

On the subject of income tax there is just as much weaving about and pulling apart without arriving at any convincing policy or recommendation. But the facts are there in full. It was in Colonial times, we learn, that income tax was clapped on to South Asia, since when tax rates have been raised consistently. In the highest income brackets they are as high or higher now than in the West. Tax laws in South Asia seem to be more complicated, unclear and ambiguous than our own, possibly because of "the machinations of powerful interested parties." And like Western nations, tax avoidance on a massive scale has thrown up a phenomenal increase in the number of income tax practitioners.

The reader searches in vain for any reference to the idea that taxation can be diminished, or even done away with completely, if a tax on land rent were to be substituted and used as an incentive to get things moving. And what is so surprising is that while Myrdal readily refers to countless authors in the text, quoting liberally from hundreds of books and speeches dealing with everything from Asian inhibitions to tropical architecture in the humid zone, not once does he refer to the undoubtedly great concepts of free trade, free land or free men. Nor does he make the smallest reference to the works of Henry George, Patrick Edward Dove, John Stuart Mill, William Ogilvie or the Physiocrats, who, would he but admit it, have already plumbed the depths of this perplexing subject.

Indeed, as a Scandinavian himself, Myrdal must surely be familiar with Danelaw communities, the backbone of which was the society of free men. In England this peasant aristocracy, as was clearly reflected in the Domesday Book of William the Conqueror, owed certain obligations to the owner of the estate in return for the land they occupied. The fruit of their labour was all their own.

Freedom will come only when influential writers like



Myrdal, and the community itself, understands the essential idea of communal freedom and its direct relationship to civil rights, the level of earnings and the system of land tenure.

Here are some talking points from Myrdal's book.

On land redistribution. "... although declarations in favour of radical redistribution of land continue to be made (for example, 'the land to the tiller' as suggested in the Indian Fourth Plan), such a policy is politically out of the question ... As an intellectual exercise, however, it is worth considering ..."

On labour. "A radical land distribution holds out the promise of creating a transformation in the attitudes of the rural labourer by cutting through the deterrents to work ... it might also cut through the debilitating influence of the prevalent share-cropping system."

On agricultural policy. "Perhaps the most conspicuous result of post-war policies in South Asian countries has been the strength of the upper strata in the villages and the corresponding reduction in the position of share-croppers and landless labourers. All the policy measures adopted by governments have tended to shift the power balance in favour of the privileged. Piecemeal reforms have thus dimmed the prospects for radical reforms, despite the deterioration in the status of the weaker members of the rural hierarchy and the rapid increase in their numbers."

On public utilities. "State investments in public utilities create profits in the private sector ... most construction is left to private entrepreneurs, the larger part of what appears to be public investment is paid out directly to these private companies."

Asian Drama, published in New York by Pantheon Books at \$8.50, comes in a three-volume paperback boxed edition. A hard cover limited edition at \$25 will be more practical for libraries, civil servants and government bodies who may wish to have this status symbol and useful reference book to hand.

CORRECTION

THE ARTICLE "No Return to Protection" published last month did not carry the note of attribution. It was in fact from *EFTA Bulletin*. We apologise for this omission.

The article, while advocating freer trade and making a number of good points, did of course, fall short of the full free trade argument, and an editorial note to this effect was to have introduced the article.

Criticising *EFTA Bulletin's* statement, Mr. Stephen Martin writes: "I am rather disturbed by an article in last month's *LAND & LIBERTY* entitled 'No Return to Protection.' This article is quite definitely misleading. Protection exists today to a greater extent than ever before in history, so how can we return to something that already dominates the political arena? The real title should have been 'The Utter Failure of Reciprocity.' Unilateralism is the only alternative. I certainly do not understand what 'liberalising free trade' means. Furthermore, there is an implicit acceptance of the balance of payments argument as the symptom of economic crisis. The existing crisis has nothing to do with the 'national' international trade figures."

QUESTIONS IN PARLIAMENT

Royal Commission on Local Government—In answer to a question, Mr. Skeffington, the Joint Parliamentary Secretary to the Ministry of Housing and Local Government, said that he expected to receive the report of the Royal Commission on Local Government towards the end of 1968. The Government had made it absolutely clear since and even before the setting up of the Royal Commission, that it would be impossible to embark on a wide-scale alternative in local government finance until the structure had been established.

Land Commission (Betterment Levy)—In answer to questions, Mr. MacDermot, the Minister of State for Housing and Local Government, said that betterment levy collected in 1967-8 amounted to £463,000, whereas the total collected up to 24 April, 1968 was £747,300. The rate of collection had now risen to about £3.5 million a year and the expected yield in 1968-69 was £8.3 million. The annual cost of assessment and collection was about £2.3 million. The reason why the collection of levy at present was at a relatively low level was because of the transitional provision which exempted builders' stocks.

The Land Commission was at present negotiating for the acquisition of seventy-six sites totalling 3,245 acres, at an estimated cost price of £11.1 million. Two small sites amounting to 1½ acres had been vested in the Commission. The Commission was investigating additional sites extending to over 23,000 acres.

Concessionary Crownhold Dispositions—In answer to a question, Mr. MacDermot said that the Land Commission had made no concessionary crownhold dispositions for the provision of housing.

Compulsory Purchase (Land Commission's Powers)—Mr. Ronald Bell (Buckinghamshire South, Cons.) asked the Minister of Housing and Local Government whether he was aware that developers were threatening private property owners with the use of the Land Commission's powers of compulsory purchase in order to facilitate purchases of land.

Mr. MacDermot, the Minister of State, said that he was aware of reports to that effect. The Land Commission did not approve of this practice.

AS OTHERS SEE US

AMERICA is not a tidy place. You can do things in Europe you just can't do here. You read about social services in Europe and you can give people orders and put them into special housing projects where you check up on their homekeeping practices. You can't do that here; there'd be a revolution. And so the whole thing is much more disorderly.

—An American sociologist, quoted in the *Observer Review*, June 9, in an article on violence in the U.S.A.